Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

China Education Group Holdings Limited
中國教育集團控股有限公司

(incorporated in the Cayman Islands with limited liability and carrying on business in Hong Kong as "ChinaEdu中教常春藤")

(Stock Code: 839)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 28 FEBRUARY 2019

The Board is pleased to announce the interim results of the Group for the six months ended 28 February 2019.

HIGHLIGHTS

	As at 28 February 2019	As at 28 February 2018	**Change**	**Change *(Percentage)***
Schools	**7**	3	**4**	**+133%**
Student enrollment	**147,414**	76,204	**71,210**	**+93%**

	Six months ended 28 February 2019 *(RMB million)* (unaudited)	Six months ended 28 February 2018 *(RMB million)* (Pro Forma)	**Change *(RMB million)***	**Change *(Percentage)***
Revenue	**927.3**	543.4	**383.9**	**+71%**
Gross profit	**536.4**	321.8	**214.6**	**+67%**
Operating profit	**385.5**	261.3	**124.2**	**+48%**
Net profit	**343.9**	257.0	**86.9**	**+34%**
Adjusted net profit	**392.8**	276.6	**116.2**	**+42%**

Total bank balances and cash was recorded RMB1,790.4 million as at 28 February 2019. Subsequent to the reporting period, the Group successfully issued HK$2,355.0 million convertible bonds due 2024 bearing 2.0% per annum interest, and drew down a loan from International Finance Corporation of US$133.8 million.

The Board has declared an interim dividend of HK3.5 cents per ordinary share for the six months ended 28 February 2019 (six months ended 30 June 2018: nil) to be paid by cash on Thursday, 6 June 2019, to Shareholders whose names appear on the register of members of the Company on Wednesday, 22 May 2019.

Notes:

1. *The figures for the reporting period do not include Quancheng University, the acquisition of which is announced in January 2019 and the financial results of which will be included in the next reporting period when it becomes a wholly-owned consolidated affiliated entity of the Group.*

2. *Please refer to the Financial Review section for methods preparing the Operating profit, Net profit, and Pro Forma figures.*

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The financial results for the six months ended 28 February 2019 and the Pro Forma Period are as follows:

	Six months ended	
	28 February 2019	28 February 2018
	RMB'000	*RMB'000*
	(unaudited)	(Pro Forma)
Revenue	**927,304**	543,479
Cost of revenue	**(390,906)**	(221,686)
Gross profit	**536,398**	321,793
Other income	**48,438**	33,583
Selling expenses	**(24,803)**	(7,733)
Administrative expenses	**(174,532)**	(86,306)
Operating profit	**385,501**	261,337
Investment income	**11,337**	5,154
Other gains and losses	**(19,754)**	20,264
Finance costs	**(33,066)**	(5,641)
Listing expenses	**–**	(23,568)
Profit before taxation	**344,018**	257,546
Taxation	**(146)**	(525)
Net profit	**343,872**	257,021
Gross profit margin	**57.8%**	59.2%
Adjusted net profit	**392,759**	276,635

Note: On 3 August 2018, the Company announced to change its financial year end date from 31 December to 31 August so as to align the financial year of the Group with the academic year of the schools operated by the Group in the PRC. Accordingly, the current accounting period covers a period of six months from 1 September 2018 to 28 February 2019. The corresponding comparative amounts shown in condensed consolidated statement of profit or loss and other comprehensive income covered a period of six months from 1 January 2018 to 30 June 2018, and therefore are not entirely comparable with those of the current period.

To provide meaningful comparative information, the Group prepared pro forma financial information covering the six months ended 28 February 2018 (the "Pro Forma Period"). The pro forma figures have not been audited. The pro forma financial information is comprised of the figures of (1) four months derived on a proportion basis from the financial results of the period from 1 July 2017 to 31 December 2017; and (2) two months derived on a proportion basis from the financial results of the period from 1 January 2018 to 30 June 2018 after subtracting the results of Zhengzhou Transit School and Xi'an Railway College. The results of Zhengzhou Transit School and Xi'an Railway College are subtracted because the acquisitions of these two schools were completed in March 2018.

For the six months ended 28 February 2019, the Group recorded revenue increased by 70.6% to RMB927.3 million compared to RMB543.5 million for the Pro Forma Period. Adjusted net profit increased by 42.0% to RMB392.8 million compared to RMB276.6 million for the Pro Forma Period. Operating profit increased by 47.5% to RMB385.5 million compared to RMB261.3 million for the Pro Forma Period.

Revenue

The Group's revenue reached RMB927.3 million for the six months ended 28 February 2019, up 70.6% as compared to RMB543.5 million for the Pro Forma Period. The significant increase in revenue was mainly driven by the inclusion of Songtian University, Songtian College, Zhengzhou Transit School and Xi'an Railway College as well as existing schools' student number and tuition fee increases. Songtian University and Songtian College acquisition was completed on 21 September 2018 while both Zhengzhou Transit School and Xi'an Railway College acquisitions were completed on 23 March 2018.

Cost of Revenue

The cost of revenue increased from approximately RMB221.7 million for the Pro Forma Period to approximately RMB390.9 million for the six months ended 28 February 2019, representing a 76.3% increase. The increase was due to the expansion of the Group, the growth of student number and the management fee paid to cooperation university.

Gross Profit and Gross Profit Margin

The Group's gross profit was RMB536.4 million for the six months ended 28 February 2019 as compared to RMB321.8 million for the Pro Forma Period. The gross profit margin was 57.8% for the six months ended 28 February 2019 as compared to 59.2% for the Pro Forma Period. The slight drop in gross profit margin was mainly due to the inclusion of newly acquired schools which initially recorded a lower gross profit margin as compared to other schools of the Group. The management expects the gross profit margin of newly acquired schools will be gradually enhanced benefiting from the synergy and operational expertise of the Group in the future.

Other Income

Other income primarily included academic administration income, management fee income and government grants.

Selling Expenses

The Group's selling expenses was RMB24.8 million for the six months ended 28 February 2019 as compared to RMB7.7 million for the Pro Forma Period. The significant increase in selling expenses incurred for the six months ended 28 February 2019 was mainly related to the inclusion of newly acquired schools which had higher selling expenses.

Administrative Expenses

The Group's administrative expenses was RMB174.5 million for the six months ended 28 February 2019 as compared to RMB86.3 million for the Pro Forma Period. It represented about 18.8% of the revenue for the six months ended 28 February 2019 and was increased as compared to that of 15.9% for the Pro Forma Period. The increase in administrative expenses was mainly due to the inclusion of administrative expenses of the newly acquired schools and the increase in headquarters expenses and acquisition expenses.

Operating Profit

Operating profit is provided because it is a key measure used by our management and board of directors to understand and evaluate our core operating performance and trends, to prepare and approve our annual budget and to develop short- and long-term operational plans. The operating profit amounted to RMB385.5 million for the six months ended 28 February 2019, increased by 47.5% as compared to RMB261.3 million for the Pro Forma Period.

Other Gains and Losses

The other gains and losses were recorded at net loss of RMB19.8 million for the six months ended 28 February 2019 which was mainly attributable to the foreign exchange loss of RMB22.6 million.

Finance Costs

The finance costs of RMB33.1 million for the six months ended 28 February 2019 represented the interest expenses on bank and other borrowings and imputed interest on deferred cash considerations.

Adjusted Net Profit, Adjusted Net Profit Margin, Net Profit and Net Profit Margin

		Six months ended	
		28 February 2019	28 February 2018
		RMB'000	*RMB'000*
		(unaudited)	(Pro Forma)
Net profit		**343,872**	257,021
Adjustments for:	Foreign exchange loss/(gain)	**22,556**	(16,130)
	Share-based payments	**26,331**	12,176
	Listing expenses	**–**	23,568
		48,887	19,614
Adjusted net profit		**392,759**	276,635

Adjusting for the foreign exchange loss/(gain) and share-based payments and listing expenses, adjusted net profit was increased by 42.0% from RMB276.6 million for the Pro Forma Period to RMB392.8 million for the six months ended 28 February 2019. The adjusted net profit margin was decreased from 50.9% for the Pro Forma Period to 42.4% for the six months ended 28 February 2019. The Group's net profit was RMB343.9 million for the six months ended 28 February 2019, representing an increase of 33.8% compared to RMB257.0 million for the Pro Forma Period. The net profit margin was decreased from 47.3% for the Pro Forma Period to 37.1% for the six months ended 28 February 2019. The decrease in adjusted net profit margin and net profit margin was mainly due to the foreign exchange loss of RMB22.6 million for the six months ended 28 February 2019, as compared to the foreign exchange gain of RMB16.1 million for the Pro Forma Period, and the increase in finance costs, headquarters expenses and acquisition expenses.

Property, Plant and Equipment

Property, plant and equipment as at 28 February 2019 increased by 22.3% to approximately RMB3,985.3 million from approximately RMB3,258.7 million as at 31 August 2018. Increase in property, plant and equipment was mainly due to the inclusion of Songtian University and Songtian College and the construction of new campus of Guangdong Baiyun University.

Prepayments for Investments

The prepayments mainly represent the amounts made for the acquisition and expansion of Quancheng University.

Total Bank Balances and Cash

Including structured deposits recognised in financial assets at fair value through profit or loss and restricted bank deposits, the total bank balances and cash was decreased from approximately RMB1,907.1 million as at 31 August 2018 to approximately RMB1,790.4 million as at 28 February 2019. Most of the cash was used for school acquisitions. Subsequent to the reporting period, the Group successfully issued HK$2,355.0 million convertible bonds in March 2019 and drew down a loan of US$133.8 million in April 2019 from International Finance Corporation.

Capital Expenditure

Our capital expenditures for the six months ended 28 February 2019 were approximately RMB376.6 million and were primarily related to maintaining and upgrading the existing school premises, and construction of new buildings and new campus.

Liquidity, Financial Resources and Gearing Ratio

As at 28 February 2019, the Group had total bank balances and cash (including structured deposits recognised in financial assets at fair value through profit or loss and restricted bank deposits) of approximately RMB1,790.4 million (31 August 2018: RMB1,907.1 million) and bank and other borrowings of approximately RMB719.8 million (31 August 2018: RMB 237.0 million).

As at 28 February 2019, the gearing ratio, which is calculated on the basis of total borrowings and total equity of the Group, was 10.7% (31 August 2018: 3.7%).

Foreign Exchange Risk Management

The majority of the Group's revenue and expenditures are denominated in Renminbi, the functional currency of the Company, except that certain expenditures are denominated in Hong Kong dollars. The Group also has certain foreign currency bank balances and other payables denominated in Hong Kong dollars and US dollars, which would expose the Group to foreign exchange risk. The Group did not use any financial instruments for hedging purposes. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure when the need arises.

Charges on the Group's Assets

As at 28 February 2019, 50% of the equity interest of Huajiao Education owned by the Group was pledged to International Finance Corporation to secure banking facilities granted to the Group.

Save as above, there was no other material charge on the Group's assets as at 28 February 2019 and 31 August 2018.

Contingent Liabilities

As at 28 February 2019 and 31 August 2018, the Group had no significant contingent liability.

BUSINESS OVERVIEW

The Group had approximately 147,000 students as at 28 February 2019; it is the largest listed higher and vocational education provider in China in terms of student enrollment. As at 28 February 2019, the Group operated four higher education institutions and three vocational education institutions located in four provinces, namely Jiangxi, Guangdong, Henan and Shaanxi, and recruited students from all provinces in the mainland China.

The Group offers a broad range of programmes and curricula. As at 28 February 2019, the Group offered 131 bachelor's degree programmes, 57 junior college diploma programmes, 148 vocational education programmes and 112 continuing education programmes. The disciplines provided by us covered 97.8% of undergraduate students' choices and 93.0% of junior college students' choices in China in 2018/2019 academic year.

Growth Strategy

We have formulated our merger and acquisition ("M&A") strategy to achieve our growth target taking into account the high entry barrier of the higher education sector. Thus far, our M&A team, strong and with high execution capability has already reviewed over 200 potential M&A targets and some of them are in due diligence process. We expect more schools to join the Group in the future. Our track record shows that the several targets that we have acquired before were all successfully consolidated into the Group. The increasing student enrollment and the schools acquired coming with potential for quality improvement are proof of our capability to integrate and identify new schools with promising growth prospects. We believe China's private higher education sector is on a strong growth trend with huge potential and opportunities open for tapping. Building on our industry leadership and 30 years' education excellence, we will adhere to our development strategies, to the end of providing excellent quality education to students, and striving for long-term sustainable growth of the Group and lucrative returns for Shareholders.

Acquisition Completed During The Reporting Period

On 21 September 2018, the Group completed the acquisition of Songtian University and Songtian College (Songtian Schools). Transfer of 100% equity interest and change in the board of directors and legal representatives of Songtian Company (the 100% co-sponsor of Songtian University and 100% sponsor of Songtian College) have been completed and duly registered with the relevant government departments in the PRC. Through welcoming two schools on board, we have expanded our school portfolio from five schools (as at 30 June 2018) to seven schools and have added about 13,000 students to our student enrollment base.

The Directors believe that the transaction marks the Group's continuous efforts to expand its school network and increase market penetration. The Directors consider that Songtian Schools are located in the economically vibrant Pearl River Delta Economic Zone and will benefit from the economic development of Guangdong-Hong Kong-Macao Greater Bay Area. The Board sees good potential in Songtian Schools to increase student enrollment and the Group will be able to leverage on its competitive advantages to streamline the operation of Songtian Schools and to enhance their financial performance. The Group intends to efficiently integrate Songtian Schools into the Group's school network and implement the Group's centralised management system to improve their operational efficiencies, increase their school sizes, optimise their pricing strategies and as a result improve the profitability of the Group as a whole.

Songtian University

Founded in 2000, Songtian University is a private university (independent college) approved by the MOE in April 2004 and operated by Songtian Company in collaboration with Guangzhou University. Located in Guangzhou, Guangdong Province, the PRC, the University conducts unified student recruitment on a national scale. Songtian University has 10 academic departments and six research institutes and offers 35 full-time undergraduate programmes. As at 28 February 2019, Songtian University had more than 9,200 students. The initial employment rate of Songtian University in 2017/2018 academic year was approximately 93.1% while China's overall initial employment rate for higher education graduates in 2017 was approximately 77.0%. Songtian University earned the Award for Guangdong's Most Competitive Independent College in the 30 Years of Reform and Opening-Up (改革開放30周年廣東最具競爭力獨立學院獎) by Guangzhou Daily. Songtian University also won the Guangzhou's Garden Organisation (廣州市花園式單位) title from Guangzhou government for its beautiful landscape.

Songtian College

Founded in 2000, Songtian College is registered as a full-time higher vocational college with the MOE and is established with the approval from People's Government of Guangdong Province. Locates in Guangzhou, Guangdong Province, the PRC, Songtian College has seven academic departments and commenced recruiting students in 2007. As at 28 February 2019, Songtian College had approximately 3,500 full-time students. The initial employment rate of Songtian College's graduates in 2017/2018 academic year was approximately 96.2% while China's overall initial employment rate for higher education graduates in 2017 was approximately 77.0%. According to a report commissioned by Guangdong Department of Education in 2012, Songtian College achieved the highest satisfaction on current employment from graduates among junior colleges in Guangdong Province.

Acquisition In Progress During The Reporting Period

On 14 January 2019, the Group entered into agreements with independent third parties to acquire in aggregate of 50.91% equity interest of Shandong Dazhong Cultural, which primarily owns 100% of the co-sponsor interest in Quancheng University. As at 28 February 2019, the acquisition is still in progress.

Subsequent to the reporting period, the Group entered into an equity transfer agreement, which took effect on 20 March 2019, with other independent third party to acquire the remaining 49.09% state-owned equity interest of Shandong Dazhong Cultural. Shandong Dazhong Cultural became a wholly-owned consolidated affiliated entity of the Group after the end of reporting period.

The Directors believe that the transaction marks the Group's continuous efforts to expand its school network and increase market penetration. The Directors consider that with the acquisition, the Group will be able to penetrate Shandong Province, the second most populated province in China and another important and strategic location. Furthermore, following the acquisition, the total number of students of the Group will be further increased and our profitability is expected to be further enhanced.

Quancheng University

Quancheng University is located in Penglai city, Shandong Province, the PRC, and is an independent college approved by the MOE in 2005 and operated by Shandong Dazhong Cultural in collaboration with Jinan University. During the current interim period, the Group also entered into agreements with independent third parties to acquire in aggregate of 96.71% equity interest of Yantai Haijun Property Limited (煙台海郡置業有限公司), which primarily owns land and properties adjacent to Quancheng University. The management plans to use the land and properties to expand the campus of Quancheng University. The acquisition was not completed up to the date of this announcement. The management expects the acquisition to be completed in 2019.

Quancheng University offers 38 bachelor's degree programmes and nine junior college diploma programmes in six disciplines, namely economics, management, literature, science, engineering and art, with 8,529 students. Quancheng University's undergraduate admission marks were 21 points higher in science and 17 points higher in the humanities than the local requirement in Shandong Province in 2018.

Our Schools

As at 28 February 2019, we operated four higher education institutions and three vocational education institutions. The following table sets forth certain details of our seven schools.

School	Year Founded	Date of Joining the Group	Description
Higher Education Institutions			
Jiangxi University of Technology	1993	December 2007	Ranked number one private university in China for nine consecutive years(1) The largest private university in China in terms of student enrollment and one of the first few private universities in Jiangxi Province approved by the MOE
Guangdong Baiyun University	1989	December 2007	Ranked number one private university in Guangdong Province for twelve consecutive years from 2003 to 2014(2) One of the first few private universities in Guangdong Province approved by the MOE
Songtian University	2000	September 2018	Earned "Award for Guangdong's Most Competitive Independent College in the 30 Years of Reform and Opening-Up" by Guangzhou Daily
Songtian College	2000	September 2018	Achieved the highest satisfaction on current employment from graduates among junior colleges in Guangdong Province

School	Year Founded	Date of Joining the Group	Description
Vocational Education Institutions			
Baiyun Technician College	1989	August 2017	Ranked number one in terms of educational competitive strengths among technical schools in Guangdong Province for seven consecutive years from 2008 to 2014[(2)] The second largest private technical school in China in terms of student enrollment
Zhengzhou Transit School	2010	March 2018	The largest private secondary vocational school in China in terms of student enrollment
Xi'an Railway College	2006	March 2018	The largest private technical school in China in terms of student enrollment

Notes:

(1) Ranked No. 1 in terms of overall competitive strengths in the Private University and College Ranking of China (中國民辦院校綜合競爭力排行榜) for nine consecutive years since 2009 by Research Centre for China Science Evaluation and Evaluation Centre for China Education Quality of Wuhan University in association with nseac.com. None of the aforesaid organisations that provided the Group's rankings were commissioned by the Group.

(2) Ranked by Guangdong Provincial Academy of Social Sciences and Guangdong General Survey and Research Centre. As far as the Directors are aware, there is no public disclosure of such ranking from 2015 onwards. None of the aforesaid organisations that provided the Group's rankings were commissioned by the Group.

Student Enrollment

As at 28 February 2019, the total number of enrolled students of our Group was 147,414, up 93.5% from enrollment as at 28 February 2018.

School	As at 28 February **2019**	 2018
Higher Education Institutions		
Jiangxi University of Technology	**40,458**	36,368
Guangdong Baiyun University	**27,072**	26,416
Songtian University	**9,270**	N/A*
Songtian College	**3,465**	N/A*
Vocational Education Institutions		
Baiyun Technician College	**13,498**	13,420
Zhengzhou Transit School	**27,518**	N/A*
Xi'an Railway College	**26,133**	N/A*
Total	**147,414**	76,204

* *These schools were not yet our operating schools as at 28 February 2018.*

Tuition Fees and Boarding Fees

In general, we adjust our tuition fees between 0% and 25% among various programmes on an annual average basis. The tuition fee adjustment is determined by our school management subject to the operating costs and market conditions.

	Listed tuition fees in academic year		**Boarding fees in academic year**	
	2018/2019	2017/2018	**2018/2019**	2017/2018
	RMB	*RMB*	***RMB***	*RMB*
Jiangxi University of Technology				
Bachelor's degree programmes	**16,000-23,000**	15,000-20,000	**1,600-2,300**	1,600-2,000
Junior college diploma programmes	**13,500-16,000**	12,500-14,000	**1,600-2,300**	1,600-2,000
Continuing education programmes	**2,500-5,000**	5,000	**N/A**	N/A
Guangdong Baiyun University				
Bachelor's degree programmes	**19,000-30,000**	19,000-28,000	**1,500**	1,500
Junior college diploma programmes	**30,000**	30,000	**1,500**	1,500
Continuing education programmes	**3,000-6,000**	3,000-6,000	**N/A**	N/A
Songtian University				
Bachelor's degree programmes	**23,000-25,000**	19,500-21,500*	**1,500**	1,500*
Songtian College				
Junior college diploma programmes	**13,500-16,500**	13,500-16,500*	**1,500**	1,500*
Baiyun Technician College				
Post-secondary vocational diploma programmes	**12,500-15,000**	11,500-14,000	**1,500**	1,500
Secondary vocational diploma programmes	**12,000-14,500**	11,000-13,500	**1,500**	1,500
Technician diploma programmes	**13,500-15,500**	12,500	**1,500**	1,500
Zhengzhou Transit School				
Secondary vocational diploma programmes	**7,900-8,600****	7,300	**1,000**	1,000
Xi'an Railway College				
Technician diploma programmes	**9,800-10,800**	9,800-16,000	**1,500**	1,000

* *These schools were not yet our operating schools in the academic year 2017/2018.*

** *Effective from 2019 Spring Semester.*

OUTLOOK

We believe that China's private higher education sector is on a secular growth trend and there is huge potential with opportunities. In China today, there are over 700 private higher education institutions (including private universities, private junior colleges and independent colleges) and thousands of private vocational schools. Most of these private higher education institutions and private vocational schools are owned and operated independently. Hence, the ownership and operation of these institutions and schools are scattered. This translates into huge potentials for M&A opportunities as well as significant room for enhancing the quality of education at the schools.

On 10 August 2018, the Ministry of Justice of the PRC issued Draft Amendments on the Implementation Rules for the Law for Promoting Private Education (the "Proposed Implementation") (《中華人民共和國民辦教育促進法實施條例（修訂草案）（送審稿）》) to seek views and comments on the proposed changes. The key objectives of the Proposed Implementation are to foster the steady growth and healthy development of the private education in China. We believe the Proposed Implementation is beneficial and favorable to the development of the private higher education sector.

As an industry leader and drawing on the strategic advantages of our scale and history of operations in the education business, brand reputation, education quality, preparation of students for employment and resources for school-enterprise collaboration, we will strive to integrate private education resources and enlarge our market share as we enhance the quality of education in our schools, and ultimately to provide excellent education services to more students in China.

Entering Into A Framework Agreement For The Establishment of China Education Fund

On 29 June 2018, the Group entered into the framework agreement with VP Shenzhen, a subsidiary of Value Partners Group Limited, for the establishment of the China Education Fund, with a targeted asset under management of RMB5 billion. The Group (and/or its affiliates and nominee(s)) and Value Partners Group Limited (and/or its subsidiary(ies)) will make an initial contribution of RMB250 million and RMB370 million, respectively, to the China Education Fund. It is expected that Huajiao Education (or its nominee) and VP Shenzhen are to be the co-general partners of the China Education Fund. The Directors believe that the Group's cooperation with Value Partners Group Limited, a leading investment fund house in Asia, will enhance the performance of the China Education Fund by combining the Group's experience in private higher and vocational education in China and the investment expertise of Value Partners Group Limited.

Development of New Campus

The construction work of Guangdong Baiyun University's new campus in Zhongluotan, Guangzhou, Guangdong Province, the PRC, has been proceeding as planned. With a site area of 498,000 square meters, the development is divided into two phases, with the first phase to be completed in 2019. The first phase will provide a student capacity of 8,000 while the second phase will accommodate 18,000 students when it is completed in 2021.

SIGNIFICANT EVENTS AFTER REPORTING PERIOD

The Group and an independent third party entered into an equity transfer agreement which took effect on 20 March 2019, pursuant to which the Group agreed to acquire the remaining 49.09% state-owned equity interest of Shandong Dazhong Cultural at a cash consideration of approximately RMB223.1 million. Further details are set out in the announcement of the Company dated 20 March 2019. During the current interim period, the Group has entered into agreements with other independent third parties to acquire in aggregate of 50.91% equity interest of Shandong Dazhong Cultural. Shandong Dazhong Cultural became a wholly-owned consolidated affiliated entity of the Group after the end of reporting period and the Directors are assessing the financial impact.

On 21 March 2019, the Company and Credit Suisse (Hong Kong) Limited (the "Manager") entered into a subscription agreement, pursuant to which the Manager agreed to subscribe and pay for, or to procure subscribers to subscribe and pay for, convertible bonds to be issued by the Company due 2024 bearing interest at the rate of 2.0% per annum in an aggregate principal amount of HK$2,355.0 million. The issuance of the convertible bonds was completed on 28 March 2019 while the listing of the convertible bonds on the Stock Exchange became effective on 29 March 2019. Further details are set out in the announcement of the Company in relation to the convertible bonds dated 28 March 2019.

In April 2019, the Group has drawn down a loan amounted to US$133.8 million from International Finance Corporation.

USE OF NET PROCEEDS FROM THE COMPANY'S INITIAL PUBLIC OFFERING

The Group issued 520,202,000 new Shares (after partially exercising the over-allotment option in January 2018) at the issue price of HK$6.45 per Share in connection with the Listing. The net proceeds after deducting underwriting commission and issuing expenses incurred from the Listing is amounted to approximately RMB2,725.7 million. As at 28 February 2019, the Company has utilised the net proceeds of approximately RMB2,335.5 million and the net proceeds have been applied in the manner as set out in the section headed "Future Plans and Use of Proceeds" of the Company's prospectus dated 5 December 2017. The unutilised net proceeds are placed in licensed financial institutions as short-term deposits.

The following sets forth a summary of the utilisation of the net proceeds from Company's initial public offering as at 28 February 2019:

Purpose	**Percentage to total amount**	**Net proceeds amount*** *(RMB million)*	**Utilised amount** *(RMB million)*	**Unutilised amount** *(RMB million)*
Acquisition of or cooperation with other universities both domestically and abroad	59.50%	1,621.8	1,621.8	–
New campus development	26.90%	733.2	380.5	352.7
Repayment of certain portion of bank loans	8.00%	218.1	218.1	–
Working capital supplement	2.40%	65.4	59.3	6.1
Establishing teacher and staff training centre	1.10%	30.0	9.3	20.7
Research and development	1.10%	30.0	19.3	10.7
Provision of scholarships	0.50%	13.6	13.6	–
Maintenance, renovation and upgrading of existing schools	0.50%	13.6	13.6	–
	100%	2,725.7	2,335.5	390.2

* *Net proceeds (including those from partial exercise of over-allotment option) after deducting underwriting commission and issuing expenses incurred from the Listing.*

EMPLOYEES AND REMUNERATION POLICIES

Recruitment

We strictly follow the *PRC Labor Law, Labor Contract Law, Employment Promotion Law, Labor Dispute Mediation and Arbitration Law* as well as provincial and local labor laws and regulations (of where the operating schools locate and operate) in our recruitment process. We prohibit discrimination of staff by age, sex, race, nationality, religion or disability, ensuring everyone has equal employment opportunities and respects.

Schools hire talents based on business development and operational needs, as well as candidate's integrity and professionalism. Our talent selection policy does not only focus on professional knowledge, experience, and relevant qualification, but also on candidate's morality, professional ethics and discipline. Our schools carry out their recruitment works based on the *Teacher and Employee Manual* and the *Methods for Implementing Teachers' Recruitment Work*, and continuously to improve and refine their recruitment processes. School staff recruitment procedures/cycle can be summarised as follows: prehiring advertisement, resume screening, interview invitation, HR interview, professional qualification assessment, employer business assessment, departmental and school senior management interview, background investigation, conditional employment offer, physical examination, and formal employment offer. All candidates with employment offer will have to sign the employment contract no later than one month since the first day report to work, and we stipulate the probation period according to law. Near the end of the probation period, HR department will work with the candidates' respective departments to conduct comprehensive assessments on new employees' performance and personality fit during the probation period, to decide whether we should officially offer the position as scheduled or ahead of the schedule, or terminate the employment.

We actively attract talents through contacting the target colleges, participating in talent recruitment fairs and industry conferences, and encouraging our staff to take advantage of social media to refer and recommend talented candidates to join us. In addition, we provide pre-employment and on-the-job trainings such as assigning coaches (experienced teachers) for newly hired teachers to ensure they have faster and easier transitions and integrations.

Remuneration

As at 28 February 2019, the Group had 7,230 employees (30 June 2018: 6,275), a 15.2% increase mainly due to acquisition of Songtian University and Songtian College. The remuneration packages of the employees of the Group are determined with reference to individual qualification, experience, performance, contribution to the Group and prevailing market rate.

Remuneration policy of our schools is formulated under the guidance of the PRC law and is also based on the industry characteristics as well as various market factors. Staff congress (majority schools of the Group), president's office, and board of directors collectively approve the compensation range. Our member schools determine their respective compensation standards based on the employment by function (teachers, teaching assistants, administrative personnel and workers, etc.) and position (entry-level, team lead, and manager, etc.). Some of our member schools pay fixed annual salary to senior management and top talents such as directors, deans/department heads, administrative leads, and professors. Schools participate in social insurance plans (pension, medical, unemployment, work injury and maternity insurance) under the guidance of relevant national, provincial, and municipalities policies and provide a variety of benefits for employees. For example, Jiangxi University of Technology participates in enterprise annuity for employees plan and Zhengzhou Transit School pays commercial insurance for the retired employees rehired by it, etc.

The Group participates a Mandatory Provident Fund Scheme (the "MPF Scheme") under rules and regulations of MPF Schemes Ordinance for all of its employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Schemes Authority under the MPF Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rule of the MPF Scheme, contributions are made based on a percentage of the participating employees' relevant income from the Group and are charged to the profit or loss as they become payable in accordance with the rules of the MPF Scheme. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the scheme. When an employee leaves the MPF Scheme, the mandatory contributions are fully vested with the employee.

The employees of the Group in the PRC are members of a state-managed retirement benefits scheme operated by the PRC government. The Group is required to contribute a specified percentage of payroll costs as determined by respective local government authority to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the specified contributions under the scheme.

INTERIM DIVIDEND

The Board has declared an interim dividend of HK3.5 cents per ordinary share for the six months ended 28 February 2019 (six months ended 30 June 2018: nil) to be paid by cash on Thursday, 6 June 2019, to Shareholders whose names appear on the register of members of the Company on Wednesday, 22 May 2019.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 20 May 2019 to Wednesday, 22 May 2019, both days inclusive, during which period no transfer of Shares will be registered. In order to qualify for the interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Friday, 17 May 2019.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the six months ended 28 February 2019.

CORPORATE GOVERNANCE PRACTICES

The Company has applied the principles of the code provisions set out in the CG Code. During the six months ended 28 February 2019, the Company has complied with all the code provisions set out in the CG Code.

The Board believes that good corporate governance is essential in enhancing the confidence of the Shareholders, potential investors and business partners and is consistent with the Board's pursuit of value creation for the Shareholders. The Company is committed to enhancing its corporate governance practices appropriate to the conduct and the growth of its business and to reviewing such practices from time to time to ensure that the Company complies with statutory and professional standards and align with the latest development.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as the Group's code of conduct to regulate the securities transactions of the Directors and the relevant employees. Having made specific enquiries, all Directors confirmed that they have complied with the required standards set out in the Model Code throughout the six months ended 28 February 2019.

AUDIT COMMITTEE AND REVIEW OF CONSOLIDATED FINANCIAL INFORMATION

The Audit Committee consists of three independent non-executive Directors, namely Dr. Rui Meng (Chairman), Dr. Gerard A. Postiglione and Dr. Wu Kin Bing. The main duties of the Audit Committee are to assist the Board in providing an independent review of the completeness, accuracy and fairness of the financial information of the Group, as well as the efficiency and effectiveness of the Group's operations and internal controls. The Audit Committee has reviewed the unaudited consolidated financial statements of the Group for the six months ended 28 February 2019, including the accounting principles and practices adopted by the Group.

Deloitte Touche Tohmatsu, the Company's auditor, had carried out review of the unaudited interim results of the Group for the six months ended 28 February 2019 in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

PUBLICATION OF THE INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.chinaeducation.hk). The interim report of the Company for the six months ended 28 February 2019 will be despatched to the Shareholders and made available on the same websites in due course.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the six months ended 28 February 2019

	Notes	**1.9.2018 to 28.2.2019** ***RMB'000*** **(unaudited)**	1.1.2018 to 30.6.2018 *RMB'000* (unaudited)
Revenue	*2*	**927,304**	669,412
Cost of revenue		**(390,906)**	(262,497)
Gross profit		**536,398**	406,915
Other income		**48,438**	36,829
Investment income		**11,337**	10,130
Other gains and losses		**(19,754)**	57,589
Selling expenses		**(24,803)**	(7,857)
Administrative expenses		**(174,532)**	(117,809)
Finance costs		**(33,066)**	(15,109)
Profit before taxation		**344,018**	370,688
Taxation	*3*	**(146)**	2,440
Profit and total comprehensive income for the period	*4*	**343,872**	373,128
Profit and total comprehensive income for the period attributable to:			
Owners of the Company		**299,648**	345,559
Non-controlling interests		**44,224**	27,569
		343,872	373,128
Earnings per share	*6*		
Basic *(RMB cents)*		**14.83**	17.11
Diluted *(RMB cents)*		**14.76**	17.05

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 28 February 2019

	Notes	At 28 February 2019 RMB'000 (unaudited)	At 31 August 2018 RMB'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**3,985,326**	3,258,673
Prepaid lease payments		**741,069**	63,292
Goodwill		**1,283,126**	916,553
Intangible assets		**1,384,481**	994,162
Contract costs		**65,687**	42,699
Prepayments for investments		**230,558**	1,246,815
Deposits paid for prepaid lease payments		**–**	113,486
Deposits paid for acquisition of property, plant and equipment		**71,701**	27,895
Deferred tax asset		**8,672**	11,010
		7,770,620	6,674,585
CURRENT ASSETS			
Inventories		**322**	381
Trade receivables, deposits, prepayments and other receivables	*7*	**403,564**	130,226
Loan receivable		**135,000**	–
Financial assets at fair value through profit or loss		**14,225**	61,805
Contract costs		**29,102**	16,269
Prepaid lease payments		**8,098**	1,506
Restricted bank deposits		**100,000**	110,000
Bank balances and cash		**1,679,336**	1,738,455
		2,369,647	2,058,642
CURRENT LIABILITIES			
Deferred income		**23,203**	23,651
Trade and bills payables	*8*	**17,435**	30,925
Other payables, accrued expenses and provisions		**1,046,819**	535,080
Income tax payable		**15,475**	12,717
Contract liabilities		**977,438**	1,037,964
Bank borrowings		**14,500**	–
Other borrowings		**7,000**	107,000
		2,101,870	1,747,337
NET CURRENT ASSETS		**267,777**	311,305
TOTAL ASSETS LESS CURRENT LIABILITIES		**8,038,397**	6,985,890

	At 28 February 2019 *RMB'000* (unaudited)	At 31 August 2018 *RMB'000* (audited)
NON-CURRENT LIABILITIES		
Deferred income	**38,682**	34,237
Other payables	**121,464**	100,265
Bank borrowings	**698,347**	130,000
Deferred tax liability	**475,405**	259,218
	1,333,898	523,720
	6,704,499	6,462,170
CAPITAL AND RESERVES		
Share capital	**17**	17
Reserves	**6,341,185**	6,143,080
Equity attributable to owners of the Company	**6,341,202**	6,143,097
Non-controlling interests	**363,297**	319,073
	6,704,499	6,462,170

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" issued by the International Accounting Standards Board as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

As set out in the announcement of the Company issued on 3 August 2018, the financial year end date of the Company and the Group has been changed from 31 December to 31 August to align the financial year end date of the Group with the academic year of the schools operated by the Group in the PRC, which ends in August each year. Accordingly, the current accounting period covers a period of six months from 1 September 2018 to 28 February 2019. The corresponding comparative amounts shown for the condensed consolidated statement of profit or loss and other comprehensive income and related notes cover a period of six months from 1 January 2018 to 30 June 2018 are therefore not entirely comparable with those of the current period.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 28 February 2019 are the same as those followed in the preparation of the Group's annual financial statements for the eight months ended 31 August 2018.

2. REVENUE AND SEGMENT INFORMATION

The Group is mainly engaged in the provision of private higher and vocational education institution services in the PRC.

Revenue represents services income from tuition, boarding and ancillary services.

Information reported to the Group's chief operating decision maker ("CODM"), being the directors of the Company, for the purpose of resource allocation and assessment of segment performance, was based on the categories of education institutions, namely higher education and vocational education. Each category of institution constitutes an operating segment. The services provided and type of customers are similar in each operating segment, and each operating segment is subject to similar regulatory environment. Accordingly, their segment information is aggregated as a single reportable segment which is the same as the condensed consolidated statement of profit or loss and other comprehensive income. No analysis of segment assets or segment liabilities is presented as they are not regularly provided to the CODM.

Revenue from major services

The following is an analysis of the Group's revenue from the major service lines:

	1.9.2018 to 28.2.2019 ***RMB'000*** **(unaudited)**	1.1.2018 to 30.6.2018 *RMB'000* (unaudited)
Tuition fees recognised over time	**848,834**	605,229
Boarding fees recognised over time	**68,072**	51,780
Ancillary services fees recognised over time	**10,398**	12,403
	927,304	669,412

Geographical information

The Group operates in the PRC. All of the Group's revenue and the non-current assets of the Group are located in the PRC.

3. TAXATION

	1.9.2018 to 28.2.2019 *RMB'000* **(unaudited)**	1.1.2018 to 30.6.2018 *RMB'000* (unaudited)
Current tax — Enterprise Income Tax	**3,015**	853
Deferred tax	**(2,869)**	(3,293)
	146	(2,440)

4. PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD

	1.9.2018 to 28.2.2019 *RMB'000* **(unaudited)**	1.1.2018 to 30.6.2018 *RMB'000* (unaudited)
Profit and total comprehensive income for the period has been arrived at after charging (crediting) the following items:		
Staff costs, including directors' remuneration		
— salaries and other allowances	**245,310**	171,547
— retirement benefit scheme contributions	**36,157**	24,789
— share-based payments	**26,331**	30,375
Total staff costs	**307,798**	226,711
Depreciation of property, plant and equipment	**86,869**	66,397
Amortisation of prepaid lease payments	**9,306**	753
Amortisation of intangible assets (included in cost of revenue)	**19,366**	13,169
Minimum operating lease rental expense in respect of rented premises	**12,366**	6,656
Interest income from banks	**(10,592)**	(10,130)
Interest income from loan receivable	**(745)**	–

5. DIVIDENDS

During the current interim period, a final dividend of HK7.4 cents per ordinary share in respect of the eight months ended 31 August 2018 (for the six months ended 30 June 2018: nil) was declared to the owners of the Company. The aggregated amount of the final dividend declared in the interim period amounted to HK$149,495,000 (approximately RMB127,874,000) (for the six months ended 30 June 2018: nil), which was not paid as at 28 February 2019.

Subsequent to the end of the current interim period, the directors of the Company have determined that an interim dividend of HK3.5 cents per ordinary share amounting to HK$70,707,000 in aggregate (for the six months ended 30 June 2018: nil) will be paid to the owners of the Company whose names appear in the register of members on 22 May 2019.

6. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

	1.9.2018 to 28.2.2019	1.1.2018 to 30.6.2018
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Earnings:		
Profit for the purpose of calculating basic and diluted earnings per share	**299,648**	345,559

	1.9.2018 to 28.2.2019	1.1.2018 to 30.6.2018
	'000	*'000*
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**2,020,202**	2,019,756
Effect of dilutive potential ordinary shares:		
Share options	**9,344**	5,263
Over-allotment options	**–**	1,365
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**2,029,546**	2,026,384

7. TRADE RECEIVABLES AND RECEIVABLES FROM EDUCATION BUREAUS

The following is an analysis of trade receivables and receivables from education bureaus, net of allowance for credit losses, by age, presented based on debit note.

	At 28 February 2019	At 31 August 2018
	RMB'000	*RMB'000*
	(unaudited)	(audited)
0 – 90 days	**32,280**	271
91 – 120 days	**115**	442
121 – 365 days	**1,309**	25,271
Over 365 days	**14,897**	572
	48,601	26,556

8. TRADE AND BILLS PAYABLES

The credit period granted by suppliers and bills payables on purchase of consumables and provision of services ranged from 30 days to 60 days.

The following is an aged analysis of trade and bills payables presented based on invoice date at the end of the reporting period.

	At 28 February 2019 *RMB'000* **(unaudited)**	At 31 August 2018 *RMB'000* (audited)
0 – 30 days	**2,373**	25,347
31 – 90 days	**8,096**	756
91 – 365 days	**3,534**	2,548
Over 365 days	**3,432**	2,274
	17,435	30,925

9. CAPITAL COMMITMENTS

As at the end of the current interim period, the Group was committed to acquire property, plant and equipment and prepaid lease payments mainly for the construction of new campus amounting to RMB805,068,000 (31 August 2018: RMB325,526,000).

In addition, at 29 June 2018, Huajiao Education has entered into a framework agreement with Value Partners Private Equity Investment Management (Shen Zhen) Limited (惠理股權投資管理(深圳)有限公司), a subsidiary of Value Partners Group Limited, for the establishment of a fund tentatively named VP-CEG China Education Fund (中教惠理教育產業基金) (the "China Education Fund"). The Group will make an initial contribution of RMB250 million to the China Education Fund. No contribution has been made up to 28 February 2019.

10. ACQUISITIONS OF BUSINESSES

(a) Acquisition during the six months ended 28 February 2019

Songtian University and Songtian College acquisition

On 14 June 2018, Youxin Education Consulting (Guangzhou) Company Limited (有信教育諮詢(廣州)有限公司), a consolidated affiliated entity of the Company, entered into a series of agreements (collectively referred to as the "Songtian Acquisition Agreements") with an independent third party ("Songtian Vendor") for the acquisition of 100% equity interest in Guangzhou Bangrui Education Investment Company Limited (廣州邦瑞教育投資有限公司) ("Guangzhou Bangrui"), a limited liability company established under the laws of the PRC, which indirectly owned the co-sponsor interest of Songtian University and the sponsor interest of Songtian College (Guangzhou Bangrui and its subsidiaries together as "Songtian Target Group") at a total cash consideration of RMB1,704,401,000, of which RMB537,900,000 is paid/payable to Songtian Vendor and RMB1,166,501,000 is for the purposes of settling liabilities of Songtian Target Group. The acquisition was completed on 21 September 2018.

(b) Acquisitions during the six months ended 30 June 2018

(i) Zhengzhou acquisition

On 13 March 2018, Junshi Education Consulting (Ganzhou) Company Limited (君時教育諮詢(贛州)有限公司), a consolidated affiliated entity of the Company, entered into an acquisition agreement and a supplemental agreement (collectively, the "Zhengzhou Acquisition Agreements") with an individual (the "Zhengzhou Vendor") for the acquisition of 80% equity interest in Shu Ren Education Management Limited (樹仁教育管理有限公司) ("Shu Ren Education"), a limited liability company established under the laws of the PRC and owned the sponsor interest of Zhengzhou Transit School (Shu Ren Education and its subsidiary together as "Zhengzhou Target Group"), at the consideration of RMB855,000,000 (the "Zhengzhou Consideration"). Zhengzhou Consideration comprises RMB120,000,000 ("Zhengzhou Equity Consideration") payable to Zhengzhou Vendor for the transfer of the 80% equity interest in Shu Ren Education and RMB735,000,000 for injection into Shu Ren Education as additional capital. The acquisition was completed on 23 March 2018.

Pursuant to the Zhengzhou Acquisition Agreements, the Zhengzhou Equity Consideration shall be paid by the Group to Zhengzhou Vendor by four installments and Zhengzhou Vendor had agreed to provide a profit guarantee in relation to the financial performance of Zhengzhou Transit School for each of the three calendar years ending 31 December 2018, 31 December 2019, 31 December 2020. The payment of the second, the third and the fourth installments of the Zhengzhou Equity Consideration of RMB20,000,000 each shall be reduced by an amount to be determined by the following formula if the audited profit before tax and excluding the non-operating profit of Zhengzhou Transit School ("Zhengzhou Actual PBT") for each of the three calendar years ending 31 December 2018, 31 December 2019, 31 December 2020 is less than RMB45,000,000, RMB80,000,000 and RMB90,000,000 ("Zhengzhou Guaranteed PBT") for each of the calendar years ending 31 December 2018, 31 December 2019 and 31 December 2020, respectively:

RMB20,000,000 x (1 – (Zhengzhou Actual PBT/Zhengzhou Guaranteed PBT))

The directors of the Company are of the opinion that the aforesaid Zhengzhou Equity Consideration is not expected to be reduced.

(ii) Xi'an acquisition

On 13 March 2018, Shangzhi Education Consulting (Ganzhou) Company Limited (上智教育諮詢(贛州)有限公司), a consolidated affiliated entity of the Company, entered into an acquisition agreement and a supplemental agreement (collectively, the "Xi'an Acquisition Agreements") with all the shareholders (the "Xi'an Vendors") of Ganzhou Xitie Education Consulting Company Limited (贛州西鐵教育諮詢有限公司) ("Xitie Education") for the acquisition of 62% equity interest in Xitie Education, a limited liability company established under the laws of the PRC and indirectly owns the sponsor interest of Xi'an Railway College (Xitie Education and its subsidiaries together as "Xi'an Target Group"), at the consideration of RMB576,600,000 (the "Xi'an Consideration"). Xi'an Consideration comprises RMB472,170,000 ("Xi'an Equity Consideration") payable to Xi'an Vendors for the transfer of the 62% equity interest in Xitie Education and RMB104,430,000 for injection into Xitie Education as additional capital. The acquisition was completed on 23 March 2018.

Pursuant to the Xi'an Acquisition Agreements, the Xi'an Equity Consideration shall be paid by the Group to Xi'an Vendors by four installments and Xi'an Vendors had agreed to provide guarantee in relation to the future student enrollment or the financial performance of Xi'an Railway College. The payment of the second installment of the Xi'an Equity Consideration of RMB42,480,000 shall be made on the condition that the number of new students of Xi'an Railway College at the end of 30 October 2018 (the spring and fall semesters of the academic year) has attained the agreed target. The payment of the third and the fourth installments of the Xi'an Equity Consideration of RMB100,000,000 each shall be reduced by an amount to be determined by the following formula if the audited profit before tax and excluding the non-operating profit of Xi'an Railway College ("Xi'an Actual PBT") for each of the calendar years ending 31 December 2018 and 31 December 2019 is less than RMB74,000,000 and RMB100,000,000 ("Xi'an Guaranteed PBT") for the calendar years ending 31 December 2018 and 31 December 2019 respectively:

RMB100,000,000 x (1 – (Xi'an Actual PBT/Xi'an Guaranteed PBT))

The directors of the Company are of the opinion that the aforesaid Xi'an Equity Consideration is not expected to be reduced.

11. EVENTS AFTER THE END OF THE REPORTING PERIOD

Subsequent to the end of the current interim period, the following events took place:

(a) The Group and an independent third party entered into an equity transfer agreement which took effect on 20 March 2019, pursuant to which the Group agreed to acquire the remaining 49.09% state-owned equity interest of Shandong Dazhong Cultural at a cash consideration of approximately RMB223.1 million. Further details are set out in the announcement of the Company dated 20 March 2019. During the current interim period, the Group has entered into agreements with other independent third parties to acquire in aggregate of 50.91% equity interest of Shandong Dazhong Cultural. Shandong Dazhong Cultural became a wholly-owned consolidated affiliated entity of the Group after the end of reporting period and the directors of the Company are assessing the financial impact.

(b) On 21 March 2019, the Company and Credit Suisse (Hong Kong) Limited (the "Manager") entered into a subscription agreement, pursuant to which the Manager agreed to subscribe and pay for, or to procure subscribers to subscribe and pay for, convertible bonds to be issued by the Company due 2024 bearing interest at the rate of 2.0% per annum in an aggregate principal amount of HK$2,355.0 million. The issuance of the convertible bonds was completed on 28 March 2019 while the listing of the convertible bonds on the Stock Exchange became effective on 29 March 2019. Further details are set out in the announcement of the Company in relation to the convertible bonds dated 28 March 2019.

(c) In April 2019, the Group has drawn down a loan amounted to US$133.8 million from International Finance Corporation.

DEFINITIONS

"affiliate"	with respect to any specified person, any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
"Baiyun Technician College"	Guangzhou Baiyun Senior Technical School of Business and Technology (Guangzhou Baiyun Technician College of Business and Technology) (廣州白雲工商高級技工學校(廣州市白雲工商技師學院)), one of our PRC operating schools
"Board"	the board of directors of the Company
"CG Code"	Corporate Governance Code contained in Appendix 14 to the Listing Rules
"China" or "PRC"	the People's Republic of China and for the purposes of this document only, except where the context requires otherwise, references to China or the PRC exclude Hong Kong, Macau and Taiwan
"Company"	China Education Group Holdings Limited (中國教育集團控股有限公司), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
"consolidated affiliated entities" or "consolidated affiliated entity"	the entities we control through the Contractual Arrangements, namely Huafang Education, Lihe Education, and our PRC operating schools and their respective subsidiaries
"Contractual Arrangements"	the series of contractual arrangements entered into by, among others, the Company, Huajiao Education, Mr. Yu, Mr. Xie, Huafang Education, Lihe Education, our PRC operating schools and our consolidated affiliated entities
"Director(s)"	the director(s) of the Company
"Group", "we", "us", or "our"	the Company, its subsidiaries and its consolidated affiliated entities from time to time

"Guangdong Baiyun University"	Guangdong Baiyun University (廣東白雲學院), one of our PRC operating schools
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Hong Kong dollars" or "HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Huafang Education"	Ganzhou Huafang Education Consulting Company Limited (贛州市華方教育諮詢有限公司), one of our consolidated affiliated entities
"Huajiao Education"	Huajiao Education Technology (Jiangxi) Company Limited (華教教育科技(江西)有限公司), a company established in the PRC with limited liability and a wholly-owned subsidiary of the Company
"Independent Third Party(ies)"	any entity(ies) or persons who is not a connected person of the Company within the meaning ascribed thereto under the Listing Rules
"Jiangxi University of Technology"	Jiangxi University of Technology (江西科技學院), one of our PRC operating schools
"Lihe Education"	Lihe Education Consulting (Ganzhou) Company Limited (禮和教育諮詢(贛州)有限公司), one of our consolidated affiliated entities
"Listing"	the listing of the Shares on the Main Board of the Stock Exchange on the Listing Date
"Listing Date"	15 December 2017, the date on which the Shares were listed and on which dealings in the Shares were first permitted to take place on the Main Board of the Stock Exchange
"Listing Rules"	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Model Code"	Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules

"MOE"	the Ministry of Education of the PRC (中華人民共和國教育部)
"Mr. Xie"	Mr. Xie Ketao (謝可滔), an executive director, co-chairman of the Company and a controlling shareholder of the Company
"Mr. Yu"	Mr. Yu Guo (于果), an executive director, co-chairman of the Company and a controlling shareholder of the Company
"Quancheng University"	University of Jinan Quancheng College (濟南大學泉城學院), an independent college in Penglai city, Shandong Province, the PRC
"RMB" or "Renminbi"	Renminbi, the lawful currency of China
"Shandong Dazhong Cultural"	Shandong Dazhong Cultural Industry Investment Limited (山東大眾文化產業投資有限公司), a limited liability company established under the laws of the PRC
"Shandong Dazhong News Group"	山東大眾報業(集團)有限公司 (Shandong Dazhong News Group Limited), a limited liability company established under the laws of the PRC
"Shareholder(s)"	holder(s) of our Share(s)
"Shares"	ordinary shares in our Company of par value HK$0.00001 each
"Songtian College"	Guangzhou Songtian Polytechnic College (廣州松田職業學院), one of our PRC operating schools
"Songtian Company"	Zengcheng Songtian Enterprise Company Limited (增城市松田實業有限公司), a limited liability company established under the laws of the PRC
"Songtian University"	Guangzhou University Songtian College (廣州大學松田學院), one of our PRC operating schools
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed thereto in section 15 of the Companies Ordinance (Chapter 622 of the laws of Hong Kong)

"VP Shenzhen"	Value Partners Private Equity Investment Management (Shen Zhen) Limited (惠理股權投資管理（深圳）有限公司), a company established in the PRC and a wholly-owned subsidiary of Value Partners Group Limited
"US dollars"	United States dollars, the lawful currency of the United States
"Xi'an Railway College"	Xi'an Railway Technician College (西安鐵道技師學院), one of our PRC operating schools
"Zhengzhou Transit School"	Zhengzhou City Rail Transit School (鄭州城軌交通中等專業學校), one of our PRC operating schools
"%"	per cent

The English names of the PRC entities (including schools), PRC laws or regulations, and the PRC governmental authorities referred to in this announcement are merely translations from their Chinese names and are for identification purposes. If there is any inconsistency, the Chinese names shall prevail.

By order of the Board
China Education Group Holdings Limited
Yu Guo **Xie Ketao**
Co-Chairmen

Hong Kong, 26 April 2019

As at the date of this announcement, the executive directors of the Company are Mr. Yu Guo, Mr. Xie Ketao, Dr. Yu Kai and Ms. Xie Shaohua, and the independent non-executive directors of the Company are Dr. Gerard A. Postiglione, Dr. Rui Meng and Dr. Wu Kin Bing.